

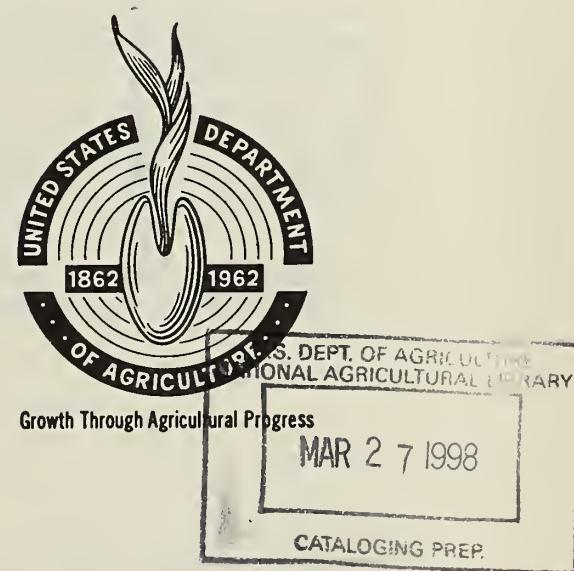
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# The Proposed FOOD AND AGRICULTURE ACT OF 1962

## A Summary



Office of the Secretary      February 1962  
United States Department of Agriculture

## THE GOALS

"The goals of this program for Food and Agriculture are goals on which there is broad general agreement.

"First, we seek to enable efficient farm operators to earn incomes equivalent to those earned in comparable nonfarm occupations.

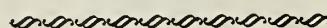
"Second, we seek continued production of food and fiber at reasonable prices in quantities sufficient to meet the needs of all Americans and to combat hunger and contribute to economic development throughout the free world.

"Third, since we seek abundance for our children as well as for ourselves, we must conserve and use wisely our resources of land and water.

"Fourth, we seek to end rural poverty. Farm children, and many farm adults as well, need improved opportunities for education and training, to equip them to earn an American standard of living in whatever occupation they freely choose to follow.

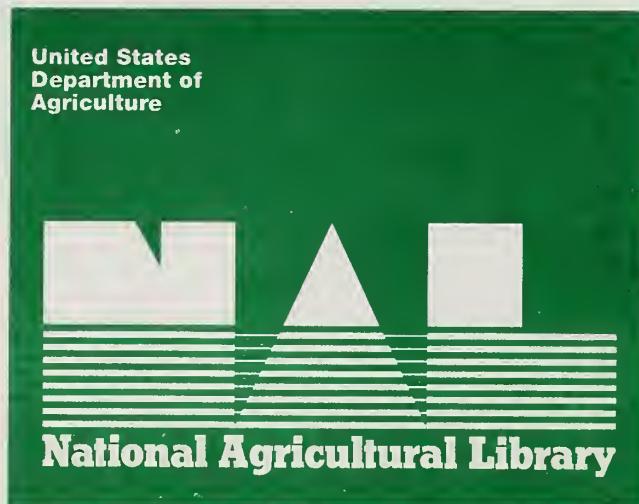
"We will enjoy the fruits of the technological revolution in American agriculture only if we recognize its implications. We must learn to live with an agricultural economy of abundance rather than scarcity. That is the purpose of the approach I have outlined -- a comprehensive, long-range program to replace the present patchwork of short-run emergency measures."

-- President John F. Kennedy in his Message on Agriculture to The Congress, January 31, 1962



### CONTENTS

L	3
A	8
M	10
F	12
W	18
D	25
A	29
A	30



# The Proposed FOOD AND AGRICULTURE ACT OF 1962

## A Summary

The Act would provide most of the new tools required to carry out the President's recommendations to the Congress for a Food and Agriculture Program for the 1960's.

The Act is designed:

- To improve and protect farm income;
- To reduce the cost of farm programs to the taxpayer;
- To reduce the Government's excessive stocks of farm commodities;
- To maintain reasonable and stable prices to consumers for food, fiber, and other farm products;
- To provide abundant supplies of farm products for domestic and foreign needs;
- To conserve and improve soil, water, grass-lands, and forests;
- To expand opportunities of all Americans for recreational use of land, water, forests, and wildlife; and
- To improve the living standards of rural communities through rural renewal.

Administered with existing programs and authorities, the Act would enable the U. S. Department of Agriculture, farmers, consumers, and local organizations to develop and carry out during the 1960's the Nation's first comprehensive Food and Agriculture Program.

The four cornerstones of the Food and Agriculture Program for the 1960's are:

- Abundance -- to expand consumption of food and other farm products at home and abroad;
- Balance -- to adjust the production of commodities now in serious oversupply to whatever level may be required in the best interest of farmers, consumers, taxpayers, and the Nation's position of international leadership;
- Conservation -- to achieve better and safer productive uses of natural resources; and
- Development -- to enable rural people, both farm and nonfarm, to share more fully in the Nation's economic growth through area-wide development and use of resources, rural renewal, fuller employment, and improved community facilities and services.

This summary of the proposed Food and Agriculture Act of 1962 describes proposed new or revised programs and the situations or conditions that led to the proposals. It also compares some of the anticipated achievements of new or revised programs with situations that would develop if certain programs are not replaced or changed.

### Reducing Government Costs

The Department estimates that Commodity Credit Corporation expenditures for price support could be reduced to less than \$1.5 billion by 1967 IF a long-range program is adopted to reduce carryovers, particularly of feed grains and wheat, and surplus production of dairy products. Without the proposed programs, the cost might be as high as \$3 billion in fiscal year 1967.

With the proposed program, total price-support expenditures over the 4 years 1964-67 could be cut by more than \$5 billion.

Perhaps an even more important effect would be the avoidance of committing large Federal expenditures for carrying charges for an indeterminate number of years beyond 1967.

The current annual CCC bill for storage, handling, transportation, and interest is about \$1 billion.

## Maintaining Farm Income

With the proposed programs in effect, farm income could be maintained for the immediate future at about the improved 1961 level. After excess stocks have been reduced, there could follow a slow but steady closing of the gap between farm and nonfarm standards of living.

Farm income for the immediate future could be maintained by combinations of farm prices and payments to growers who divert lands from crop production. This is demonstrated by the examples of operation of the proposed feed grains program (page 17) and the proposed wheat program (page 23).

## Title I of the Proposed Act

### LAND-USE ADJUSTMENT

Changes would be made in existing conservation, land-use, and watershed protection and flood prevention programs to provide new authority for the Secretary to promote the conservation and economic use of the land:

1. By acquiring land not currently needed for agricultural use to be developed and used for public recreation and protection of fish and wildlife;
2. By long-term agreements with farm operators and owners; and
3. By providing assistance to local organizations in acquiring, developing, and maintaining selected reservoirs or other areas in watershed projects for public recreation and fish and wildlife.

The provisions of Title I of the proposed Act are in the form of amendments to the Soil Conservation and Domestic Allotment Act, the Bankhead-Jones Farm Tenant Act, and the Watershed Protection and Flood Prevention Act.

Authority would be given to the Secretary, by proposed amendment to the Soil Conservation and Domestic Allotment Act, to promote conservation and economic use of land through long-term agreements with farm operators and owners. Under these agreements, which could not exceed 15 years, payments would be made for changes in cropping systems and land uses, and for other

measures to conserve and develop soil, water, forest, wildlife, and recreational resources. The cost of establishing conservation measures could be shared by the Government.

Should the Secretary deem it advisable, he could, as a condition of entering into these long-term agreements with landowners and operators, require the surrender of any crop history or allotment applicable to the land covered by the agreement.

The purposes of the Bankhead-Jones Farm Tenant Act would be broadened (through amendment of Title III of that Act) to include development of public recreation and fish and wildlife protection.

To enable the Secretary to carry out the proposed provisions, he would be authorized to acquire any lands, or rights or interests therein, which he deemed necessary. Purchases, however, would be limited to those that would not have a serious adverse effect on the economy of the county or community in which the land is located.

The Secretary also would be authorized to dispose of lands acquired under this new authority to any agency or person.

This new authority would enable the Department to initiate the series of "pilot and demonstration land-use projects" mentioned by the President in his Message on Agriculture to the Congress, January 31, 1962.

The Bankhead-Jones Farm Tenant Act presently authorizes only the acquisition of submarginal land and land not primarily suitable for cultivation.

Under the proposed amendment of the Watershed Protection and Flood Prevention Act, Federal help to local organizations would be authorized for development of public recreation and fish and wildlife in selected reservoirs and other areas in watershed projects.

When a local organization agreed to operate and maintain a reservoir or other area for public recreation or for fish and wildlife development, the Secretary could:

1. Bear or share the cost of the land, easements, or rights-of-way acquired by the local organization for these purposes, and
2. Advance funds to the local organization for acquisition of the land, easements, or rights-of-way that are necessary to preserve sites for reservoirs or to preserve other areas from encroachment by residential, commercial, industrial, or other development.

## The Land-Use Situation

The Nation's agricultural production potential not only is far greater than today's needs; it also is much greater than the estimated requirements for the foreseeable future.

At the same time, a tremendous and growing need for outdoor recreation areas is not being met. This demand for outdoor recreational space -- to enjoy the beauties of nature, to hunt, to fish, to grow more fish and wildlife, and for wilderness areas -- will grow as population increases.

Under the amendments proposed in Title I of the Food and Agriculture Act of 1962, more land would be shifted from production of agricultural commodities to outdoor recreational uses. These shifts would help to reduce crop production, provide new sources of income for rural people, and meet the increasing need for outdoor recreation. The extent of land-use shifts and the need for them are shown in new studies by the Department, including projections to 1980.

The Department estimates that in 1980, all domestic and greatly expanded export needs for farm products could be produced on:

- 407 million acres of cropland. This is 51 million fewer cropland acres than were available in 1959 (458 million acres).
- 652 million acres of grassland and range. This is 19 million more grassland acres than we had in 1959 (633 million acres).

The demand for forest products also will increase in the years ahead, but it can be met with only a small increase in total acreage. In 1980, needs for forest products could be met with:

- 775 million forest acres. This is a net gain of only 2 million acres over 1959 (773 million acres). Millions of acres of forest limited primarily to recreation or wildlife use are included in these totals -- 27 million acres in the 1959 total; 34 million acres in the 1980 total.

Special purpose uses of land (including urban development and public installations and facilities) probably will increase from 85 million acres in 1959 to 110 million acres in 1980 -- a gain of 25 million acres. A part of this increase (possibly

as much as 11 million acres) would be shifted from "miscellaneous other land" -- desert, bare rock, swamp, and other types of land. Most of the other increase in special purpose uses of land would come from agricultural land.

The opportunity, then, is great for shifting unneeded cropland to recreation, to wilderness areas, and open green spaces -- all important in meeting the outdoor needs of an urban people rich in the traditions of rural history. In 1980, the Department estimates it would be feasible to have:

- 85 million acres in recreational uses. This is 23 million acres more than we had in 1959 (62 million acres).

### **The Immediate, Urgent Problem**

The urgent problem, which requires immediate attention in the 1960's, is to find new, productive, and economic uses for cropland. The size of this problem is indicated by these facts on cropland use in 1961:

- Only 340 million acres of our 458 million acres of cropland were used in 1961. (Only 296 million of the 340 million cropland acres actually were harvested in 1961. The remainder of the 340 million acres was crop failure and fallow.)
- 25 million acres temporarily were held out of crop production by the emergency feed grain program, which is authorized again for 1962. Sign-up for the 1962 program was started in February, 1962.
- 28 million acres temporarily were held out of production by the Conservation Reserve. Contracts expired in 1961 on 2 million of these acres. By the beginning of 1967, contracts will have ended on an additional 15 million acres. An estimated 10 million acres of the released Conservation Reserve land could be back in crop production by 1967.
- Around 4 million acres, idle or otherwise not in crops in 1961, could be in cropland use in 1967. This includes land new in crops.

The Department estimates that by 1967, about 2 million acres of cropland will go into urban, industrial, or other nonfarm uses.

These increases by 1967 as compared with 1961 would be 25 million acres from the emergency feed grain program, 10 million acres from the Conservation Reserve, and 4 million acres from other uses -- a total gain of 39 million acres. Deducting the 2 million acres expected to go into nonfarm uses, the net increase would be 37 million more acres in crop use by 1967.

Thus, without the proposed programs, around 377 million acres could be in crop use by 1967, as compared with the need for production then from about 331 million cropland acres.

The transfer of millions of acres of land from crops to grass, to trees, and to public recreation and fish and wildlife use would ease the job of reducing feed grain and wheat acreages. Rural people, both farm and nonfarm, would have new sources of income. And all Americans would have greater opportunities for outdoor recreation.

As the President said in his Message on Agriculture:

"Land-use changes are not only important to balanced production; they can also supply the growing demand for outdoor recreational areas and wildlife promotion, for woodlots and forests, and for grazing. We can transfer cropland to grass and trees -- and we can place greater emphasis on wildlife and recreation development in the small watershed program."

### **Recreational Use in Watershed Projects**

Under the proposed amendment to the Watershed Protection and Flood Prevention Act, reservoir sites could be selected as pilot or demonstration projects for public recreational use and promotion of fish and wildlife.

Eventually, these recreational areas could be widely scattered over the Nation. They could provide new recreational opportunity to about 12 million people each year.

Applications already have been made by local organizations for more than 1,600 watershed projects in 48 States and Puerto Rico. The primary purpose of the small watershed program would continue to be flood prevention and control, if the proposed amendment is approved. But the way would be open to add tremendous recreational values that would extend benefits far beyond the watershed boundaries.

The cost-sharing features of the proposed program would be assurance that the projects would be planned only where there is a public demand, present or foreseeable, for additional recreational facilities.

With recreation as an accepted project purpose, watershed projects could be justified in many areas where other benefits do not now justify the costs.

## Rural Renewal

These proposed authorities, together with recommended amendments of the Consolidated Farmers Home Administration Act and existing authorities, would provide the basis for initiating a coordinated rural renewal program.

"In some rural areas," the President said in his Message on Agriculture, "the general level of economic activity and family income is so low, and the lack of community facilities so acute, that a complete new development operation is the only sensible solution -- a program of 'rural renewal.'"

### Title II of Proposed Act

## AGRICULTURAL TRADE DEVELOPMENT

### Proposed

#### Include private stocks in grants

Commodities not in Commodity Credit Corporation stocks could be included in grants to other countries. Public Law 480, Title II, now provides for commodity grants, on a government-to-government basis, for disaster relief and economic development. These grants have been restricted to commodities in CCC stocks except for animal fats and vegetable oils.

The requested authority would make the grant program more effective in the interests of the United States. Dried beans and peas are examples of additional protein foods which would be useful in the program. It would be possible to initiate new types of foreign enterprise, making greater use of our agricultural abundances already in stock, and encouraging economic development in the recipient nation. A small quantity of our other surplus products, furnished at the beginning of any given development project, may provide the basis for expanding local (foreign) market and distribution systems. Without such introductory commodities injected into the foreign nation's systems, trade development projects may be much more expensive to start and also less successful.

#### Broaden trade development contracts

The amendments to Title IV of Public Law 480 would provide more flexibility and efficiency for working out market and economic

development programs with other countries. They also would provide for longer term dollar credit sales arrangements with United States and foreign traders. This would facilitate development of commercial export markets for U. S. agricultural commodities.

Improvements in the legislation would materially assist in making dollar credit sales.

Title IV of Public Law 480, which provides for supply contracts on dollar credit sales up to 20 years, would be amended as follows: (1) Market development would be included in the purposes of the Act, (2) Private trade transactions, for both market and economic development, would be permitted provided the commodities are used in underdeveloped countries, (3) Other nations could participate in supplying commodities on a long term credit basis, and (4) Reasonable annual repayment schedules could be fixed by discretionary authority.

In some cases, financially sound private credit sale arrangements would be preferable to government-to-government agreements. Under the private credit sale arrangements, additional dollar exports of agricultural commodities could be achieved.

## MULTILATERAL FOOD PROGRAMS

### **Proposed**

#### Supply some U. S. food reserves to United Nations

The Department would be able to supply food stocks to the Food and Agriculture Organization, United Nations, or other inter-governmental organization, under this proposed addition of Title V to Public Law 480. Surplus agricultural commodities, from both CCC stocks and private stocks, would be authorized. Also included would be procurement costs, processing, packaging, transportation, and other charges. These provisions would facilitate U. S. participation in the World Food Program, established by the Food and Agriculture Organization and the United Nations General Assembly in 1961. Advance appropriations would be required after June 30, 1963.

Precautions would be secured that U. S. agricultural commodity sales would not be displaced abroad by the proposed multilateral food programs.

The United States proposed the program to the Food and Agriculture Organization last April and indicated that up to \$40 million worth of U. S. commodities could be made available in a 3-year experimental program. FAO aims for a \$100 million program, with at least one-third cash plus contributed commodities and services for the 3 years.

### Title III of the Proposed Act

## MARKETING ORDERS

### **Proposed**

#### Producer allotments

Individual producer allotments or marketing quotas would be authorized under marketing orders for milk, turkeys, and turkey eggs. Presently, marketing order quotas and allotments are enforceable only against handlers, and present authority for managing supplies at the farm level is only indirect, through handler allotments.

The authorization for producer allotments would provide another tool which industries might decide to use in setting up a marketing order program. Because marketing orders are initiated by the producers and handlers in the industry, the use of any of the marketing order provisions is at their option.

Where producers adopt this provision, they would get a direct allotment from the marketing order's administrative committee, rather than the allotment going to a handler for re-allocation among the producers who market through him. The direct allotment would give individual producers an exact basis on which to plan their production.

Allotments for turkeys and turkey hatching eggs: The allotments or quotas for these commodities would limit or restrict marketing by producers -- on the basis either of marketings during a representative period in the past or on current supplies available for market. Coordination of handler allotments would also be authorized.

Allotments for milk producers: Milk producers' allotments would be based on a representative period established by the Secretary. No limit would be placed on the amount of milk that producers could market, but there would be authority to adjust the price which producers could get for milk marketed in excess of their allotments to discourage surplus marketings.

## Marketing research and development for milk orders

Marketing research and development projects would be authorized under milk marketing orders. Such projects have previously been limited to commodities other than milk. This change would allow money collected under the marketing order to be used for projects that are designed to improve, promote, or assist the marketing distribution, and consumption of milk and dairy products. The authority to set up research and development projects could be added to a milk marketing order only with the approval of producers.

### **Objectives of Marketing Orders**

The final objective of marketing orders is a fair return to the producer and a fair price to the consumer.

A marketing order enables the producers and handlers of a commodity to manage the marketing of their products -- with the basic purpose of improving and stabilizing returns to growers through orderly marketing.

Under a milk marketing order, minimum prices to producers are established, based on current supply and demand, and other economic factors.

Marketing orders for other commodities attack particular marketing problems by regulations that keep poorer grades of the commodity out of the primary market or limit the total quantity that can be marketed, or by rate-of-flow regulations to keep a steady flow of the commodity moving to consumers.

Each marketing order is initiated and designed by the producers and handlers in the industry that will use it and must be approved by two-thirds of the producers in a referendum before it can be issued.

Administratively, a marketing order is a partnership between industry and Government. All marketing orders, except those covering milk, have an industry committee that recommends to the Secretary of Agriculture the regulations that should be issued under the program. The Secretary issues or approves all actions because he is responsible for operating the program in the best interests of both the industry and the general public.

## FEED GRAINS

### Proposed

Corn, oats, grain sorghums, barley, and (at the discretion of the Secretary) rye would be treated for the first time as a single commodity for purposes of bringing total supply of feed grains more nearly into line with needs.

The new program would be effective during 1963 and subsequent crop years if enacted by the Congress and approved by the President.

Marketing quotas and acreage allotments would apply to all feed grains as one commodity, as they now apply to such crops as cotton, peanuts, tobacco, rice, and wheat. Marketing quotas could be established for 1, 2, or 3 years, with the approval of at least two-thirds of the feed grain growers voting in a referendum.

These are the principal provisions of the proposed feed grains program:

Marketing quotas. A national marketing quota for feed grains would be proclaimed each year by the Secretary of Agriculture. This quota would be equal to the total needs for livestock feed, human food, seed, industrial uses, and exports, less estimated imports and, if Government stocks are excessive, less such amount as the Secretary determined was necessary. The Secretary could increase the national quota if necessary to assure an adequate carryover of feed grains, to meet a national emergency, or to supply an increase in demand.

Acreage allotments. A national acreage allotment would be proclaimed each year. This allotment would be the number of acres required, on the basis of expected yields, together with expected production from exempted small farms and any noncommercial area, to meet the national marketing quota.

Apportionment of acreage allotment. The national acreage allotment (less small reserves to take care of "missed" farms and new farms) would be apportioned to the States, counties, and farms on the basis of the average acreage of feed grains produced during the base period. Each producer could grow, within his allotment, one or more of the feed grains which he considers best suited to his land, climate, and cropping system.

Base period. For feed grain crops in 1963, 1964, and 1965, the base period would be 1959-60. For crops in 1966 and subsequent years, the base period would be the two most recent calendar years in which marketing quotas are in effect and for which Federal statistics are available. The Secretary would be authorized to adjust farm bases for abnormal conditions, such as drought.

Small farm exemption. A farm with a feed grain base of 25 acres or less would not be subject to the program unless the producer so elects. If he decides not to be subject to the program, he could plant feed grains up to his base acreage. He would not, however, be eligible for land-use payments or price support.

Referendum on marketing quota. Any feed grain grower who had a base established for his farm, except a producer with a base of 25 acres or less who does not elect to be subject to the program, would be eligible to vote in a marketing quota referendum. The marketing quota would become effective if two-thirds or more of the producers voting approved it.

Conservation use of diverted land. Land diverted from feed grains would have to be put into conservation use. The amount of diverted land on each farm would be an acreage equal to the difference between the acreage of feed grains during the base period and the farm acreage allotment for feed grains. Acreage thus diverted would be in addition to the acreage normally in conserving uses, summer fallow, or idle.

Use of diverted land. Only a crop designated by the Secretary as not being in surplus supply or one that would not substantially impair the purposes of the food and agriculture program could be grown on diverted acreage without penalty. The Secretary would have authority to permit grazing on diverted acres.

Substitution of wheat for feed grains. The Secretary would be authorized to permit wheat to be planted as a substitute for feed grains and to count it against the feed grain allotment. (A similar provision, for substitution of feed grains for wheat, is included in the wheat section, Title IV, Subtitle B, of the proposed Act.)

Payments. The Secretary would be authorized to make fair and reasonable payments (in cash or feed grain) to producers who in 1963, 1964, and 1965 divert feed grain land to conservation uses. Each producer, except those exempted, would be required to divert an acreage equal to the difference between his farm's base acreage and the acreage allotment for the year. The

Secretary would be authorized to permit a producer to divert additional land from feed grains, equal to 20 percent of the allotment, and to make payments to him for doing so. At his own election, a producer whose required diversion would be less than 20 acres would be permitted to divert up to 20 acres if his base acreage was 20 or more acres.

Price support. If marketing quotas were approved by producers, the level of price support for feed grains would be between 65 and 90 percent of parity, as determined by the Secretary. Price support on feed grains would be available only to a producer who stays within all acreage allotments on his farm or farms, and complies with the land-use requirements. Feed grains would be without price support if marketing quotas were disapproved by producers. If marketing quotas were disapproved, the Commodity Credit Corporation would be authorized to sell up to 10 million tons of feed grains for unrestricted use at market prices, to help to carry out two objectives of the proposed Act, "to reduce costs of farm programs" and "to reduce the Federal Government's excessive stocks of agricultural commodities."

Penalties. Production on excess acreage of feed grains would be subject to a marketing penalty at the rate of 65 percent of the parity price per bushel, if marketing quotas are in effect.

Commercial area. The Secretary would be authorized to establish a commercial feed grain area if he determined it would facilitate administration of the program and would not substantially impair its effectiveness.

### **If Proposed Program Is Not Enacted**

If the proposed feed grains program is not enacted, and there is no other new legislation on feed grains, the programs in effect in 1960 (before the emergency feed grain programs of 1961 and 1962) would be resumed in 1963.

This would mean unrestricted production of corn at fixed price support levels.

Corn acreage allotments could not be used. There would be no limit or qualification on acreage to qualify for price support. The price support rate would be at 90 percent of the average price received by farmers during the preceding 3 years, but at a rate not less than 65 percent of parity.

With unrestricted production of corn permitted, efforts under existing authorities to adjust production of the other feed grains would largely be meaningless. A grower with an allotment for grain sorghum, barley, oats, or rye could comply with that allotment and at the same time increase his corn acreage to whatever amount he chose.

Unless the proposed or other new legislation is enacted, these authorities would apply after 1962 to feed grains other than corn:

For price support eligibility, the Secretary would have authority to require compliance with acreage allotments (except corn), production goals, and marketing practices.

Price supports could be set at rates determined by the Secretary to be fair and reasonable in relation to the support on corn, taking into consideration the feed value of each grain in relation to that of corn. Other factors also would be considered in setting price support rates, including:

1. The supply in relation to the demand;
2. The price levels at which other commodities are supported;
3. The availability of funds;
4. The perishability of the commodity;
5. The importance of the commodity to agriculture and the national economy;
6. The ability to dispose of stocks acquired;
7. The need for offsetting temporary losses in one export market; and
8. The willingness and ability of producers to keep supplies in line with demand.

### **The Present Feed Grains Supply Situation**

Feed grain carryovers rose for 9 consecutive years during the 1950's. Carrying charges rose until the cost of owning and carrying corn and grain sorghums inventories reached an annual rate of about \$600 million in 1962 fiscal year.

The feed grain carryover last October 1, before the 1961 crop was added, was 84.4 million tons -- enough to meet domestic and export needs for three-fifths of a year. By next October, the feed grain carryover is expected to be down to about 80 million tons, the first decline in over a decade. The emergency program for corn and grain sorghums in 1961 is responsible for this decline. The emergency program for 1962 includes barley as well as corn and grain sorghums. A further decline in carryover, to about 72 million tons on October 1, 1963, is expected as a result of this 1-year program if yields in 1962 are about average and the sign-up in the 1962 emergency feed grain program is about the same as in 1961.

## A Look Ahead

WITH A RETURN TO PRE-1961 FEED GRAIN PROGRAMS. The Department of Agriculture estimates that a return to programs in effect for feed grains before the 1961 emergency program would result in --

Production rising sharply from an estimated 138 million tons in 1962 to:

163 million tons in 1963;  
167 million tons in 1964;  
170 million tons in 1965; and  
173 million tons in 1966.

Carryovers rising rapidly from an estimated 72 million tons October 1, 1963, to:

85 million tons in 1964;  
100 million tons in 1965; and  
115 million tons in 1966.

WITH THE PROPOSED FEED GRAIN PROGRAM IN EFFECT: If the proposed program is in operation in 1963 and subsequent years, the Department expects the results to be --

Production totaling between 135 million and 140 million tons in 1963, and then ranging from 140 million to 145 million tons a year in the mid-1960's.

Carryovers dropping sharply from an estimated 72 million tons October 1, 1963, to:

64 million tons in 1964;  
56 million tons in 1965; and  
48 million tons in 1966.

## HOW PROPOSED FEED GRAINS PROGRAM MIGHT OPERATE

### Examples

#### Nationally

Here's how the proposed feed grains program might work nationally in 1963 in a hypothetical, preliminary example:

We will need around 147 million tons of feed grains for all uses. Stocks (CCC) are to be reduced by about 10 million tons a year. That leaves 137 million tons (the equivalent of nearly 5 billion bushels of corn) needed from the crop. At a yield of 1.35 tons per acre for all feed grains, about the same as in 1961, this would require an acreage a little below the 1961 acreage. If price support were to be slightly above 1961 and 1962, the rate of payment for diverted acreage could be a little lower.

#### On the Farm

How the proposed feed grains program might work on a typical farm growing corn and oats:

- We take, for example, a farmer whose 1961 corn base was 100 acres with a normal yield of 60 1/2 bushels. He also had a history of 35 acres of oats (yield 44 bushels) and no sorghum or barley. This gives him a total feed grain base of 135 acres.
- Under the proposed 1963 program he could comply by diverting from 20 to 40 percent of his total feed grain base. This farmer diverts 25 percent of his base acres. He reduces corn acreage by 22 acres and oat acreage by 12 acres.
- On his planted acres, he grows 4,836 bushels of corn and 1,012 bushels of oats. His total feed grain output is 15 percent below 1960, allowing for yield trends. At \$1.30 for corn and 68¢ for oats, value of these crops would be \$6,975. If he received a diversion payment of 40 percent of the value of normal production on these acres, his diversion payment would be \$872. He would realize a total of \$7,847 from corn and oats, in addition to a saving in costs on diverted acres. This would be about \$500 or 8 percent above his expected 1962 returns. With corn supported at \$1.20 a bushel and diversion payments of 50 percent of the per acre value of production, returns from these crops in 1963 would be about equal to estimated 1962 returns.

## WHEAT

### Proposed

The minimum national acreage allotment for wheat, set at 55 million acres since the late 1930's, would be eliminated. It would be replaced by a national acreage allotment proclaimed each year by the Secretary. This annual allotment would be based on the year's marketing quota, as determined by the requirements for wheat and the need to reduce Commodity Credit Corporation wheat stocks.

Price supports would be continued, but keyed with domestic and export wheat marketing certificates. As in the past, marketing quotas could be put into effect only with the approval of at least two-thirds of the producers voting in a referendum.

The new program would be in effect for 1963 and subsequent crops if enacted by the Congress and approved by the President.

These are the principal provisions of the proposed wheat program:

Marketing quota. The Secretary each year would proclaim a national wheat marketing quota. This quota would be equal to the year's total needs for wheat for human food, seed, and exports, less estimated imports, and, if Commodity Credit Corporation stocks were excessive, less such an amount as the Secretary determined was necessary. The Secretary could increase the national quota if necessary to assure an adequate carryover of wheat, to meet a national emergency, or to supply an increased demand. Marketing quotas could be proclaimed for 1, 2, or 3 years.

Acreage allotments. The Secretary each year would proclaim a national wheat acreage allotment. This allotment would be the number of acres required to produce the national marketing quota, taking into account expected yields.

Apportionment of acreage allotment. The national acreage allotment (less small reserves to take care of new farms) would be apportioned to the States and counties on the basis of the average acreage of wheat produced during the past 5 years.

Small-farm exemption. A farm with an average of 15 or fewer acres of wheat during 1960 and 1961 (or other representative period) would not be subject to the program, unless the producer elects to be. If he does not so elect, he could plant

wheat up to the farm's base (the average acreage for 1960 and 1961). In such case, he would not, however, be eligible for land-use payments or price support.

Referendum on marketing quota. All producers with a farm acreage allotment would be eligible to vote in a marketing quota referendum, except producers with farm bases of 15 or fewer acres who do not elect to be subject to the program. The marketing quota would be effective only if two-thirds or more of the producers voting approved it.

Conservation use of diverted land. With the program in effect, each producer would be required to put into conservation uses wheat acreage in proportion to the amount by which the new national acreage allotment is reduced below 55 million acres. This diverted acreage would be in addition to the land on the farm normally devoted to conserving uses, summer fallow, and idle.

Crop production or other use of diverted land. Only a crop designated by the Secretary as not being in surplus supply or one that would not substantially impair the purposes of the food and agriculture program could be grown on diverted acreage without penalty. The Secretary also would have authority to permit grazing on diverted acres.

Substitution of wheat for feed grains. The Secretary would be authorized to permit feed grains to be planted as a substitute for wheat and to count it against the wheat allotment. (A similar provision, for the substitution of wheat for feed grains, is included in the feed grains section, Title IV, subtitle A, of the proposed Act.)

Payments. The Secretary would be authorized to make fair and reasonable payments (in cash or in wheat) to producers who in 1963, 1964, and 1965 divert wheat allotment land to conservation uses. The Secretary would be authorized to permit producers to divert additional land from wheat, equal to 20 percent of the wheat allotment, and to make payments to them for so doing. At his own election, a producer whose required diversion is less than 15 acres would be permitted to divert up to 15 acres.

Wheat marketing allocations. Each farm would receive a wheat marketing allocation. This allocation would be based on the farm's estimated production on its wheat allotment acreage, and on the estimated percentage of the wheat crop that would be used during the marketing year for: (1.) Human food in the United States less a portion of the bushels reserved for reducing CCC stocks, and (2.) that portion of wheat exports on

which the Secretary would determine certificates are to be issued. Wheat marketing certificates would be issued to the producer on the basis of his farm's marketing allocation.

Value of marketing certificates. Marketing certificates would have a value per bushel equal to the difference between the price support on noncertificate wheat and the price support on certificate wheat. Export certificates could have a value different from that of domestic certificates.

Use of marketing certificates. Marketing certificates acquired from the producer would have to be accompanied by an equivalent amount of wheat. Certificates would be required to cover: (1) wheat products marketed for human consumption in the United States, and (2) wheat and wheat products exported. (The Secretary would establish conversion factors to determine the amount of wheat contained in any food product.) The Commodity Credit Corporation would be authorized to buy and sell marketing certificates. CCC also would be authorized to establish discounts and premiums (not exceeding 5 percent of the face value of the certificate) in order to encourage the purchase and sale of the certificates through commercial channels.

Price support. The price support level for wheat accompanied by domestic certificates would be between 75 and 90 percent of parity as determined by the Secretary. The price support level for wheat accompanied by export certificates would be not more than 90 percent of parity as determined by the Secretary. The price support level for noncertificate wheat would be determined by the Secretary on the basis of: (1) Competitive world prices of wheat, (2) the level at which price support is made available for food grains, and (3) the feeding value of wheat in relation to feed grains. If marketing quotas are in effect for wheat, price support would be available only to a producer who stays within all acreage allotments on his farm or farms, and who also complies with land use requirements of the program. If excess wheat is stored, the producer could receive price support on wheat produced within his allotment. No price support would be available if marketing quotas are disapproved by producers. If marketing quotas are voted down, the Commodity Credit Corporation would be authorized to sell up to 200 million bushels of wheat for unrestricted use at market prices, as a means of reducing Government costs and excessive stocks.

Penalties. Production on excess acreage of wheat would be subject to a marketing penalty at the rate of 65 percent of the parity price of wheat per bushel. Penalties also would be provided for failure to acquire marketing certificates and for other violations.

Commercial area. The commercial wheat area would continue to include any State with a wheat allotment of more than 25,000 acres.

### If Proposed Program Is Not Enacted

If the proposed wheat program is not enacted, and there is no other new legislation on wheat, the program in effect in 1961 (before the emergency wheat program of 1962) would be resumed in 1963.

The principal provisions of the wheat program, if no new legislation is enacted, are:

- Allotments would be in effect, with a minimum national allotment of 55 million acres.
- Marketing quotas would be in effect when the wheat supply was large enough to require them, and at least two-thirds of the producers voting in a referendum approved them.
- The marketing quota penalty would be only 45 percent of the May 1 parity price of wheat for the year in which the excess is produced. It would be figured on the normal yields of excess acres.
- Price support would be between 75 and 90 percent of parity when quotas have not been disapproved by producers. With an allotment of 55 million acres and the present high level of production, the support cost would be excessive at any support level permitted.
- If quotas are disapproved, price support to cooperators would be at 50 percent of parity. Price support to noncooperators would be at the option of the Secretary, but could not be set at a level above the 50 percent of parity support for wheat produced by cooperators.
- Any farmer could produce as much as 15 acres without being subject to quota penalties.

Under provisions of this program, with both allotments and marketing quotas in effect, wheat carryover rose from 0.93 billion bushels July 1, 1954, to 1.41 billion bushels July 1, 1961.

## The Present Wheat Supply Situation

The wheat carryover on July 1, 1961, was more than a full year's supply for all purposes. The carryover on July 1, 1962, is expected to be down to about 1.36 billion bushels, primarily because of drought that reduced 1961 production and record high exports.

The emergency wheat program, in effect for the 1962 crop, is expected to reduce carryover appreciably on July 1, 1963, but a precise estimate cannot be made until late spring of 1962. However, the July 1, 1963, carryover might be around 1.22 billion bushels -- or about a year's supply of wheat for all purposes. Whether the July 1, 1964, carryover rises or falls will be determined primarily by the kind of wheat program in effect for the 1963 crop year.

## A Look Ahead

WITH A RETURN TO THE PRE-1962 WHEAT PROGRAM. The Department of Agriculture estimates that a return to the wheat program in effect before the 1962 emergency program would result in:

Production rising from the preliminary estimate of around 1.1 billion bushels in 1962 to --

1.32 billion bushels in 1963;  
1.35 billion bushels in 1964;  
1.37 billion bushels in 1965; and  
1.40 billion bushels in 1966.

Carryover rising from the preliminary estimate of around 1.22 billion bushels on July 1, 1963, to --

1.40 billion bushels in 1964;  
1.61 billion bushels in 1965; and  
1.84 billion bushels in 1966.

A carryover of 1.84 billion bushels would be sufficient for  $1\frac{1}{2}$  years' supply for all purposes at present levels of domestic consumption and export.

WITH THE PROPOSED WHEAT PROGRAM IN EFFECT. If the proposed wheat program is in operation in 1963 and subsequent years, the Department expects the result to be --

Production remaining fairly stable, with an anticipated production of:

1.10 billion bushels in 1963;  
1.12 billion bushels in 1964;  
1.15 billion bushels in 1965; and  
1.18 billion bushels in 1966.

Carryover dropping from the tentative estimate of 1.22 billion bushels of wheat on July 1, 1963, to:

1.06 billion bushels in 1964;  
0.92 billion bushels in 1965; and  
0.76 billion bushels in 1966.

## HOW PROPOSED WHEAT PROGRAM MIGHT OPERATE Examples

### Nationally

Here is how the proposed wheat program might work nationally, using reasonable but assumed price supports and acreage reductions in a hypothetical and preliminary example:

- Total wheat demand estimated at, say, 1,250 million bushels.
- The Government decides to reduce stocks by, say, 150 million bushels, with two-thirds of it going into exports and one-third to domestic supplies. This leaves a total market to be filled by farmers of 1.1 billion bushels.
- At average yields, this produces an acreage allotment for the 1963 crop of 43 million to 46 million acres.
- The domestic market share for farmers within this allotment is about 40 percent of production on the allotment (450 million bushels).
- The export share for farmers is about 50 percent of production on the allotment (550 million bushels).
- About 10 percent of production on the acreage allotment would go for seed and feed (100 million bushels).
- The feed wheat price is around \$1.40, export wheat at around \$1.85, and domestic food wheat near \$2.

### On the Farm

Here is how the proposed wheat program could work on a typical farm, using reasonable but assumed yields:

- The farmer's 1961 allotment was 55 acres; his wheat base was 82 acres.

- His 1963 allotment becomes about 44 acres. On the 11 acres that are retired he receives a payment of around \$25 per acre. He might be allowed to graze the land. If so, he gets a smaller payment.
- On his 44 allotted acres, the farmer would be expected to grow 1,100 bushels at average yields. He would get domestic marketing certificates representing 450 bushels which he can market for about \$2.10 a bushel, based on a price support around \$2 or \$2.05, or a total of \$945. Next he would get export marketing certificates covering 550 bushels which he could market for around \$1.85 per bushel, for a total of \$1,017. The remainder of the farmer's wheat, 100 bushels, would be worth approximately \$1.40 per bushel if corn supports were \$1.30 a bushel.
- In this example, wheat income plus diversion payment would give the farmer about \$2,375. He also would save on production costs on a larger number of diverted acres. This is roughly the expected return for the 1962 crop with a 10 percent acreage diversion. In 1961, he got around \$2,300 from sale of wheat from 55 acres. Noncertificate wheat would be around \$1.30 a bushel if corn were supported at \$1.20 a bushel.

## Marketing

Here's what would happen when the farmer takes 200 bushels of wheat with domestic marketing certificates to the country elevator to sell and get his money:

He would sell wheat with certificates at the market price -- say \$2.10. He would get a check for \$420.

The elevator operator would sell his certificates to a bank; the bank could sell them to a miller or to CCC. The miller would be required to have certificates for wheat milled for domestic food use. If he could not readily get certificates in the market place, he would purchase them from CCC.

Wheat not accompanied by certificates would move in the market place at an average price in the \$1.30 to \$1.40 range.

If wheat for export were supported at \$1.80 rather than \$1.85, income would be reduced by \$27.50. Or if the Government decided to reduce stocks by 200 million bushels instead of 150 million bushels, the export allotment to the farmer would be 500 bushels rather than 550. Acreage allotment would be reduced 2 acres and payments for diverted acreage would be increased \$50. Since receipts from the 50 bushels at \$1.85 would have been \$92.50, gross income would be reduced by \$42.50

An alternative approach to the wheat marketing allocation would be to combine the domestic market of 500 million bushels with, say, 350 million bushels of the export market.

Marketing certificates would be issued to the farmer in the foregoing example for 850 bushels, and he could get price support at about \$2 a bushel on that amount. But 100 bushels of wheat from the allotment would be marketed by the farmer without certificates, and would be eligible for support near the feed or world price. There would be another 100 bushels produced on the acreage allotment for seed and feed, valued at \$1.40 per bushel. Returns would be comparable with those in the first example, and about the same as expected from the 1962 crop on the same farm.

#### Title IV, Subtitle C, of Proposed Act

## DAIRY

### **Proposed**

The proposed program for milk and milk products is designed to achieve progressive improvement in dairy farm income, while reducing Government program costs to a desirable minimum.

These objectives would be accomplished by introducing two new features into the dairy price support program:

A supply management program with price supports as close to 90 percent of parity as market conditions warranted, provided at least two-thirds of the producers voting in a referendum approved it, and

A limit of \$300 million a year on the Government cost of acquiring quantities of dairy products that could be used in the national interest for domestic welfare and foreign assistance, plus regular expenditures for the Children's Special Milk and School Lunch Programs. Surplus marketing fees on over-allotment milk sales would, if marketing allotments were in effect, supplement the price support operation.

The new program would continue the present dairy product purchase program as the basic means of supporting milk prices. The products acquired would continue to be used in providing food for school lunches, the Special Milk Program, and to needy people both here and abroad. These purchases would contribute

to maintaining farm income, and to the goal of using agricultural abundance to improve the diets of school children, to feed needy Americans, and relieve hunger and to promote economic development abroad for the cause of peace.

Price incentives would result in individual producer's keeping production in line with the Nation's needs for milk and dairy products, including commercial demand and the quantities required for distribution programs.

Each producer would be given a guide as to his individual share (marketing allotment) of the total demand for milk and its products. If he marketed (during a marketing period) no more than his share of the total demand, he would receive the full market price for all his milk. If he supplied more than his share, he would receive the full price on his share, but a much lower price (through deduction of a marketing fee) on the portion over his allotment for which there was no market and no program needs.

The marketing allotment would not be a limitation on how much milk any farmer could sell. He could sell all the milk he produced. However, the price he would receive for milk sold in excess of his allotment would be the market price less a surplus marketing fee.

The "first purchaser" of excess milk from the farmer would deduct the surplus marketing fee from the market price, and pay the fee to the Commodity Credit Corporation for use in purchasing dairy products in excess of quantities needed for Government programs. The amount of the fee could be adjusted by the Secretary in accordance with the estimated quantities and acquisitions attributed to over-allotment sales, but could not exceed \$2.75 per hundredweight of milk.

Thus the cost of acquiring and disposing of dairy products in excess of what could be sold or used effectively in Government programs would be borne directly by those producers who produced the excess milk. Other farmers who kept production within allotments would receive stable prices for all their milk.

Each producer's total sales base would be his sales of milk or farm-separated cream in calendar year 1961. His total base would be divided into periods, and the amounts allocated to each period could be adjusted within the total sales base to be consistent with the producer's own herd management plan.

A producer could transfer his marketing base to another producer, thus retaining flexibility in his farming operations. Transfer of marketing bases would be subject to regulations of the Depart-

ment designed to prevent the acquisition of bases by processors or handlers.

The Secretary would have authority to use price support funds to purchase and cancel bases offered voluntarily by producers who are leaving dairying. These purchases would reduce the cost of acquiring surplus dairy products and would minimize the amount allotments would need to be reduced below the 1961 base production.

No producer would be exempted from the program, but the Secretary would be authorized to establish a minimum allotment for any producer holding a marketing base if he determined that it would not impair effective administration of the program. A producer without a base could market milk only by payment of the surplus marketing fee on all milk marketed.

Under the proposed program, a Dairy Stabilization Committee of 21 members would be established. Fifteen would be producer-members to be elected from dairy districts. Four would be appointed to represent processors, marketers, cooperatives, dairy associations, and farm organizations. One would be appointed to represent consumers, and one would be appointed from the Department of Agriculture.

If enacted by the Congress and approved by the President, the program could be instituted for the remaining part of the marketing year ending March 31, 1963. However, the support price in effect on the date of the passage of the proposed Act would continue until producers have voted in a referendum on the new program.

Before voting in the referendum, producers would be informed of the level of support and the size of the allotments to be in effect for the marketing year under the supply management program, and the level of support that would be in effect without allotments.

If producers voted against adoption of the program for any marketing year, price supports would continue, but at a lower level than could be maintained with the help of the supply management program.

In addition to the long-range program proposed, producer marketing allotment authority is proposed for Federal milk marketing orders, subject to approval of two-thirds of the affected producers in a referendum. These orders operate in 81 markets and establish minimum producer prices based on current supply and demand. Producer allotments, when used in milk marketing orders,

could operate whether or not allotments were in effect under the long-range program, and would seek to reduce surpluses in order to improve the "blend prices" received by producers.

### The Present Dairy Supply Situation

Dairy farmers' hourly returns from labor have been among the lowest in U. S. agriculture. Although the present price support program has held milk prices higher than they would have been without it during recent years, it has not maintained adequate dairy farm income, and it has resulted in excessive costs. This has put a severe strain on the present program.

In 1961, milk production increased around 2 percent, and the population increase was about the same. But milk consumption excluding Commodity Credit Corporation donations dropped around 2 percent.

As a result, Government expenditures for surplus dairy products this year will exceed half a billion dollars -- approximately double the amount expected at the beginning of the marketing year. (The cost to the Government of price support purchases of dairy products has averaged \$293 million a year since July 1, 1953. This is in addition to appropriations used for milk in the School Lunch Program and expenditures for the children's Special Milk Program.)

Under the present law, it will be necessary to reduce dairy price supports to 75 percent of parity (about \$3.11 per hundredweight of milk for manufacturing) on April 1, 1962, unless a joint resolution proposed by the President is enacted by the Congress to continue the present support price of \$3.40 per hundredweight until December 31, 1962, to provide time for a supply management program to be adopted and submitted to producers for approval or rejection.

Reducing dairy price supports to 75 percent of parity would drastically reduce dairy farmers' net incomes, but it would not greatly reduce Government expenditures or acquisitions of dairy products.

Even if consumption of dairy products reversed the trend of 1961 and resumed a more normal course, and even if supports were reduced to 75 percent of parity, costs of the dairy price support program next year would total about \$440 million -- nearly as much as in the current year. But if consumption declined as much in the coming year as in 1961, the cost of dairy price support in the next fiscal year, even at 75 percent of parity, would probably exceed half a billion dollars.

The dairy program proposed in the Food and Agriculture Act of 1962 is designed to protect and improve the incomes of dairy farmers while keeping Government costs at a reasonable level.

The hourly returns to dairy farmers for their labor have ranged from 26 to 82 cents an hour since 1953. These returns varied by regions. In 1960, the average returns per hour were 56 cents in western Wisconsin, 33 cents in eastern Wisconsin, 67 cents in the Central Northeast (mostly New York), and 49 cents on the dairy-hog farms of southeastern Minnesota.

In 1960, the average hourly return to all farm labor was 85 cents.

Title V, Section 501, of Proposed Act

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**Amendments of Consolidated  
FARMERS HOME ADMINISTRATION ACT**

**Proposed**

1. Individual farmers would become eligible to apply for long- and short-term loans for development of recreational uses of land, to accommodate shifts in land use.
2. Loans to rural public bodies and associations for sewer development and improvement, and for recreation-conservation purposes, would be made possible.
3. Up to \$25 million in insured real estate loans could be accumulated before they are sold to private investors.

**Need**

1. Recreational land uses -- Farmers would be able to finance recreational land-use improvements -- another method of soil conservation -- and would thus be encouraged to shift marginal acreage from crop use to uses in the national interest.
2. Sewer loans -- Rural communities are presently eligible for water system loans. Many of these communities also need sewage systems and cannot raise the necessary construction capital. Borrowers would also be eligible for technical and planning aid, along with the long-term improvement loans.

3. Increasing mobility of funds -- At the present time not more than \$10 million of insured real estate loans can be made and held until they are sold to a private investor. Considering the administrative work and time necessary to group the loans and convey them to an investor, the \$10 million ceiling is restricting program efforts. Raising the ceiling to \$25 million would effectively keep funds moving without unnecessary delay.

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Title V, Section 502, of Proposed Act

**Amendment of  
RURAL ELECTRIFICATION ACT**

**Proposed**

A loan account system

The Rural Electrification Administration presently returns to the Treasury both principal and interest payments received from its electric and telephone borrowers. Each year, after the Congress authorizes new funds for the REA programs, REA borrows money from the Treasury to make new loans.

The proposed amendment would establish an REA loan account. Under this system, payments received from REA borrowers (except for interest owed Treasury), would not be returned to Treasury, but would be retained by the agency and used to finance new loans.

REA estimates that during fiscal year 1963, approximately \$136 million of its collections would be available for relending under the proposed loan account system. REA would have to borrow from the Treasury only the additional funds authorized by Congress for 1963, and for subsequent years.

The effect of this Act would be to provide a more orderly, efficient procedure of funds management and present a more accurate picture of REA's financial operations by showing them on a net expenditure basis in the annual budget.